

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

UNITED STATES OF AMERICA	:	CRIMINAL NO.
v.	:	DATE FILED:
JEFFREY B. LYONS	:	VIOLATION:
KAREN CONNELLY	:	18 U.S.C. § 1344 (bank fraud – 1 count)
	:	26 U.S.C. § 7201 (tax evasion – 1 count)
	:	18 U.S.C. § 2 (aiding and abetting)

INFORMATION

COUNT ONE

THE UNITED STATES ATTORNEY CHARGES THAT:

At all times material to this Information:

1. Defendant, JEFFREY B. LYONS, was a resident of Lancaster, Pennsylvania.
2. Defendant, KAREN CONNELLY, was a resident of Manheim, Pennsylvania.
3. Worley & Obetz, Inc. (“W&O”) was located in Manheim, Pennsylvania and supplied gas, heating oil, propane, biodiesel, and other forms of energy to its commercial and residential customers in and around Lancaster County, Pennsylvania.
4. Defendant, JEFFREY B. LYONS, was the Chief Executive Officer of W&O from in or about 1999 to on or about May 15, 2018.
5. In or about the 1990s, defendant KAREN CONNELLY’s title at W&O was Office Manager. Beginning in or about 2000, defendant CONNELLY’s title was changed to Controller for W&O. Defendant CONNELLY remained the W&O Controller until her retirement on or about December 31, 2015.
6. From in or about January 2016 to on or about May 15, 2018, Judith Avilez,

charged elsewhere, was the Controller for W&O.

7. Fulton Bank issued loans and lines of credit to W&O and its related companies and subsidiaries.

8. Representatives of Fulton Bank met with Jeffrey B. Lyons monthly to review and assess W&O's financial statements and W&O's ability to repay loans and lines of credit from Fulton Bank. Fulton Bank required W&O to provide at each monthly meeting W&O's monthly Profit and Loss Statements, Balance Sheets, and Borrowing Base Certificates.

9. Fulton Bank required W&O to include its total accounts receivable, total inventory, and loan balances on the Monthly Borrowing Base Certificates.

10. Fulton Bank relied on W&O's financial statements and the accounts receivable, total inventory, and loan balances reported on the Borrowing Base Certificates to determine how much Fulton Bank would lend to W&O.

11. As the Controllers of W&O, defendant KAREN CONNELLY and Judith Avilez were responsible for performing accounting related functions for W&O and preparing W&O's financial statements including but not limited to the Profit and Loss Statements, Balance Sheets, and Borrowing Base Certificates.

12. Fulton Bank was a financial institution, the deposits of which were insured by the Federal Deposit Insurance Corporation, FDIC Certificate Number 7551.

13. From at least in or about 2003 to on or about May 15, 2018, in the Eastern District of Pennsylvania, defendants

**JEFFREY B. LYONS
and
KAREN CONNELLY**

knowingly executed, and attempted to execute, and aided and abetted the execution of, a scheme to obtain monies owned by and under the care, custody, and control of Fulton Bank by means of false and fraudulent pretenses, representations, and promises.

THE SCHEME

It was part of the scheme that:

14. From at least in or about 2003 to in or about July 2016, in an effort to make W&O appear more profitable, Chief Executive Officer defendant JEFFREY B. LYONS and Controller defendant KAREN CONNELLY falsified the monthly financial statements for W&O by falsely increasing revenue, cost of goods sold, and accounts receivable.

15. From at least in or about 2003 through in or about July 2016, defendant KAREN CONNELLY accessed the W&O accounting system each month and provided defendant JEFFREY B. LYONS the actual profit and loss figures for each W&O department. After receiving the actual figures from defendant CONNELLY, defendant LYONS revised the figures to reflect false profits or losses for each department to inflate the company's overall accounts receivable and provided those fraudulent figures to defendant KAREN CONNELLY.

16. After receiving the fraudulent figures from defendant JEFFREY B. LYONS, defendant KAREN CONNELLY then entered those false profit and loss figures and the inflated accounts receivable figures into the W&O accounting system. Defendant CONNELLY then

created additional fraudulent entries in order to balance the financial statements and make the falsified W&O financial statements appear genuine.

17. To prepare defendant JEFFREY B. LYONS for his monthly meeting with Fulton Bank, defendant KAREN CONNELLY provided defendant LYONS with copies of the materially false and fraudulent W&O monthly financial statements including but not limited to the Balance Sheet, Profit and Loss Statement, and Borrowing Base Certificate, which all included grossly inflated accounts receivable, gross revenue, and net income.

18. Defendant JEFFREY B. LYONS signed each of the false Borrowing Base Certificates that defendant KAREN CONNELLY prepared and or aided and assisted in preparing, which grossly overstated W&O's accounts receivable.

19. In or about December 2015, defendant KAREN CONNELLY retired from W&O. From in or about December 2015 through in or about July 2016, defendant CONNELLY used a W&O computer at her home and continued to falsify the W&O monthly financial statements with defendant, JEFFREY B. LYONS.

20. In or about January 2016, Judith Avilez, charged elsewhere, became the W&O Controller.

21. In or about July 2016, defendant JEFFREY B. LYONS and Judith Avilez went to defendant KAREN CONNELLY's home where defendant CONNELLY taught Avilez how to falsify the W&O financial statements given to Fulton Bank.

22. From in or about July 2016 through on or about May 15, 2018, Judith Avilez accessed the W&O accounting system each month and provided defendant JEFFREY B. LYONS the actual profit and loss figures for each W&O department. After receiving the actual

figures from Avilez, defendant LYONS revised the figures to reflect false profits or losses for each department to inflate the company's overall accounts receivable.

23. After receiving the fraudulent figures from defendant JEFFREY B. LYONS, Judith Avilez then entered those false profit and loss figures and the inflated accounts receivable figures into the W&O accounting system. Each month from in or about July 2016 through May 15, 2018, Avilez, like her predecessor, defendant KAREN CONNELLY, created additional fraudulent entries in order to balance the financial statements and make the falsified W&O financial statements appear genuine.

24. To prepare defendant JEFFREY B. LYONS for his monthly meeting with Fulton Bank, Judith Avilez provided defendant LYONS with copies of the materially false and fraudulent W&O monthly financial statements including but not limited to Balance Sheet, Profit and Loss Statement, and Borrowing Base Certificate, which all included grossly inflated accounts receivable, gross revenue, and net income.

25. From in or about 2003 through in or about April 2018, on a monthly basis defendant JEFFREY B. LYONS presented to Fulton Bank the fraudulent W&O financial statements he received from his Controllers, defendant KAREN CONNELLY and Judith Avilez, to fraudulently obtain or extend over \$60,000,000 in new and existing lines of credit and loans from Fulton Bank for W&O.

26. Defendant JEFFREY B. LYONS also falsified a contract with W&O's largest customer to justify the grossly inflated accounts receivable in that customer's account and provided the fraudulent contract to Fulton Bank to fraudulently obtain and extend new and existing lines of credit and loans for W&O.

27. From in or about 2003 to on or about May 15, 2018, Fulton Bank relied on the materially false and fraudulent W&O financial statements and Borrowing Base Certificates created by defendants KAREN CONNELLY, JEFFREY B. LYONS, and Judith Avilez, when Fulton Bank extended existing lines of credit, reaffirmed existing lines of credit, and issued new loans to W&O, its related companies, and its subsidiaries.

All in violation of Title 18, United States Code, Sections 1344 and 2.

COUNT TWO

THE UNITED STATES ATTORNEY FURTHER CHARGES THAT:

1. The allegations contained in Paragraphs 1, 3, and 4 of this Information are re-alleged and incorporated as if fully set forth herein.
2. The Internal Revenue Service ("IRS") is an agency within the United States Department of the Treasury responsible for administering the tax laws and collecting taxes owed to the United States.
3. A U.S. Individual Income Tax Return, Form 1040 ("Form 1040") is a form filed with the IRS by most United States taxpayers to report their income, deductible expenses, credits, and taxes due for the individual taxpayer's preceding tax year.
4. From at least in or about January 1, 2012 through on or about December 31, 2017, defendant JEFFREY B. LYONS used W&O funds to pay over \$1,000,000 of personal expenses.
5. On or about March 20, 2013, defendant JEFFREY B. LYONS caused a W&O check to be made payable to him for \$200,000, which was used to pay defendant LYONS' personal expenses.
6. On or about June 18, 2013, defendant JEFFREY B. LYONS caused a W&O check to be made payable to him for \$201,876, which was used to pay defendant LYONS' personal expenses.
7. From on or about January 4, 2013 to on or about December 30, 2013, defendant JEFFREY B. LYONS caused multiple W&O checks to be paid to his personal credit card accounts, paying off over \$200,000 of personal expenditures.

8. On or about April 1, 2014, in the Eastern District of Pennsylvania, defendant

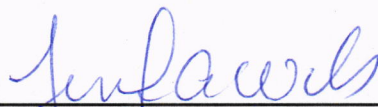
JEFFREY B. LYONS,

willfully attempted to evade and defeat a large part of the income tax due and owing by him and his wife to the United States of America for the calendar year 2013 by committing the following affirmative acts, among others:

a. Providing to his tax return preparer false financial information that did not include the approximately \$650,000 in additional income he received from W&O in calendar year 2013, which he used to pay his personal expenses.

b. Filing and causing to be filed with the IRS a false and fraudulent Form 1040 for the calendar year 2013.

All in violation of Title 26, United States Code, Section 7201.

for 

WILLIAM M. McSWAIN
United States Attorney